

DO BANKERS DISCRIMINATE AGAINST WOMEN ENTREPRENEURS?

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THERE HAS BEEN a significant increase in the number of businesses started by women in the last decade. This growth has been accompanied by a similar increase in studies on women entrepreneurship that focused largely on problems and challenges faced by women entrepreneurs. Among the issues that have been highlighted is that of getting access to bank financing. Studies have found that many women who wanted to go into business were hampered by their inability to secure loans from the banks. These women often claimed that they were discriminated against in both overt and subtle ways. Hisrich (1985) asserts that while financing is a problem for every entrepreneur, for women entrepreneurs the problem is more acute. Thus, women entrepreneurs are less likely to use formal sources of capital such as bank loans.

While explicit evidence on this inequitable lending practice has yet to be produced, certain statements have been made which implied that there might be gender-based discrimination that occurs among bankers (Orhan, 2001). This prompted a call from a woman Cabinet member for separate banking counters for women entrepreneurs applying for loans (The Star, 2001). This paper aims to provide further evidence by conducting a study among women entrepreneurs in Malaysia on the extent to which gender may be the issue in the relationship with the banks.

FINANCING CONSTRAINTS OF WOMEN ENTREPRENEURS

Women entrepreneurs often cited access to capital as one of their greatest areas of difficulty (Carter and Cannon, 1992). Many of them expressed a relatively high level of dissatisfaction with their banker-customer relationship. They perceived that they were not given due respect by the banks, that they did not think that bank managers were easy to talk to, and they were not made comfortable when dealing with banks (Coleman and Carsky, 1996; and Fabowale et al, 1995). Previous research suggests that women entrepreneurs faced a more difficult time obtaining external sources of capital, especially in the form of bank loans. They, therefore, relied more on informal sources of financing and their own personal financial resources (Cole and Wolken, 1995; and Coleman, 1999).

The subject of discrimination in lending to women entrepreneurs has been the focus of many studies (Read, 1998; Buttner and Rosen, 1992). Although findings on the issue have been inconclusive, some have suggested that women entrepreneurs are at a relative disadvantage in the lending process due to gender (Coleman, 2002). There is also a possibility that discrimination occurs amongst bankers at a subconscious level. Thus, this question remains to be answered and exploring the issue further will provide better understanding on the issue.

Research also indicates that many women entrepreneurs faced other constraints due to lack of requisite skills, training and experience in business. Women entrepreneurs also seemed to need outside assistance primarily because they lack business education and experience, in particular management (Gassman, 1988; Hisrich, 1989). They may also lack an effective network and thus lose out on valuable opportunities for informal contacts with suppliers, customers and providers of capital (Green et al, 1999). Meanwhile, Taylor (1980) asserts that women often lacked the necessary business and management training and experience essential for success. When presenting their business plans to banks, women often did not have the confidence and experience in the financial realm, and these weaknesses contributed to their difficulty in obtaining loans (Humpreys and McClung, 1981).

RESEARCH METHODOLOGY

Due to limited research on women entrepreneurship in Malaysia, our study emphasises on discovery rather than testing a priori hypothesis. A qualitative interview was employed. This has an advantage in that it sets out to investigate in much greater detail some of the issues that need to be addressed.

A total of 40 women entrepreneurs participated in the study. They were selected at random from a pooled listing of women business owners drawn from two directories of Malaysian women associations. Their businesses represented a variety of industries, such as retail, services and manufacturing. Each participant was contacted by telephone prior to the interview and the purpose of the study was described. One of the most important facets of interviewing is to establish a climate of trust, and most of the interviews began with informal talks to put the participants at ease. As the discussion progressed, the interviews, which lasted from one to three hours, became more focused. The conversations were taped with the participants' permission.

FINDINGS

Demographics

The age of the respondents ranged from 26 to 40 years (45.0%), 41 to 55 years (42.5%) and only 12.5% were in the above 55 years category. In terms of education, 45.0% were graduates from institutions of higher learning with either a degree or diploma while another 27.5% possessed at least a certificate. The remaining 25.0% completed their secondary or high school studies. Studies by Welsch and Young (1984) and Curran and Burrows (1988) also reported high education levels of women business owners.

The majority of the respondents were married and only 12.5% were either single, widowed or divorced. Spalter-Roth, Burr, Hartmann and Shaw (1995) also found that self-employed women were the most likely group to be married. In terms of family size, more than 68% had between 3 to 6 children and 10.5% had 7 and more children in the family. This indicates that women entrepreneurs in Malaysia have a relatively large family size. About 80% of the respondents also reported that their

family members were involved directly or indirectly in the business. These included their husbands, parents, brothers, sisters and children.

A significant number of the respondents had been in the business for more than 5 years. Of these respondents, 35.0% were in the business between 5 to 10 years, 12.5% between 11 to 15 years, 15% in between 16 to 20 years and another 5.0% between 21 to 25 years. There was also one respondent who had been in the business for more than 25 years.

Nature of Business

In terms of ownership, 55.0% were sole proprietorships and 7.5% were partnerships. This reflects the relatively small size of women-owned businesses in Malaysia. Another 38.8% of the respondents' businesses were limited companies. According to these respondents, the main reason for registering their businesses as limited companies was for easier access to external funding.

The activity sectors of the respondents' businesses were wide ranging, with a high concentration on services (45.0%) and the food and drinks (20.0%) industry. Others include textiles and apparels (12.5%) and manufacturing (12.5%). There were also four (10.0%) respondents who ventured into the franchise business. The findings in Read (1998) and Brush (1992) also reported a heavy concentration of women-owned businesses in the retail and services sectors.

More than 50% of the respondents reported having an annual turnover of between RM100,000 or less, with 17.5% having less than RM50,000. This again shows that the majority of women-owned businesses is relatively small. About 35.0% reported turnovers of between RM100,001 and RM500,000, while only two (5.0%) respondents indicated having achieved an annual turnover of more than RM1 million. Read (1998) in her findings suggested that women business owners normally did not follow a high growth strategy due to domestic commitments, and this contributed to a low turnover among their businesses.

Sources of Capital Financing

Most of the respondents started their

businesses with a relatively modest capital, i.e. less than RM50,000 (60.0%). Another 27.5% started with initial capital of between RM50,000 and RM1100,000, while only one respondent (2.5%) mentioned a starting capital of more than RM200,000. This finding is not unusual, given that the majority of women businesses in other studies are found to have been launched with very little capital (Carter and Cannon, 1992; Taub and Gaglio, 1995). When queried on the sources of funding, 55.0% mentioned using their own resources, with another 17.5% obtained help from relatives. This concurs with other studies which found that the majority of women-owned businesses had been financed internally (Holmes and Kent, 1991; Read, 1998; and McMahon et al, 1993). About 22.5% of the respondents also obtained initial funding from various government agencies. It seems that the women entrepreneurs benefited from the schemes and incentives offered by the government agencies. Most of these funds were in the form of soft loans or grants.

Banking Assistance

A significant number of women entrepreneurs in the sample reported that they obtained financing and financial assistance from banks for their business operations (67.5%). This finding contradicted with a number of studies which found that women faced difficulties in getting access to finance from banks and other financial institutions (Buttner and Rosen, 1992; Orhan, 2001). Furthermore, two-thirds of those who obtained financing mentioned that they were not asked to provide collateral for the facilities. This again contrasted those of previous research where in the normal situation there would be a higher demand for collateral requirements from women applicants. Only 23.3% of the respondents indicated that their loan applications were rejected while another 76.6% said their applications were approved. This again contradicted with other studies that found a higher rejection rate for women when applying for bank loans. Those who had experienced rejection by the banks believed that the reason was mainly as a result of not following the procedures required by the banks.

The main finding of this study show that

women entrepreneurs in Malaysia did not experience great difficulty in getting access to external funding. These women in the sample mentioned that they did not encounter any problem when dealing with their bankers, especially with regard to obtaining loans. They also believed that no banks would discriminate against them on the basis of gender if they came with the proper documents. This finding thus confirms a previous study by Fabowale, Orser and Riding (1995) who found that women-owned businesses have equal access as men to the most frequently used credit facilities.

CONCLUSION

This study investigated the issue of funding of women-owned businesses by banks in Malaysia. The findings reveal that women entrepreneurs did not encounter or suffer any gender discrimination when they applied for bank loans. Although the bankers were mostly men, the respondents felt that they were treated like any other customers. In addition, they were not asked for higher collateral requirements. This study in a real sense refutes those found in other studies which suggest that women faced difficulty in obtaining bank financing because of gender bias. **BJM**

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